

Senate Engrossed House Bill

FILED

KEN BENNETT

SECRETARY OF STATE

State of Arizona
House of Representatives
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2009

CHAPTER 135

HOUSE BILL 2156

AN ACT

AMENDING SECTIONS 9-951 AND 20-224, ARIZONA REVISED STATUTES; RELATING TO
PREMIUM TAX.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 9-951, Arizona Revised Statutes, is amended to
3 read:

4 9-951. Disposition of fire insurance premium tax proceeds:
5 composition of fund

6 A. The proceeds of the annual tax provided by law on the gross amount
7 of all premiums received on policies and contracts of fire insurance covering
8 property within this state, after deducting cancellations, return premiums,
9 dividends and the amount received as reinsurance on business in this state,
10 are appropriated and set aside for distribution to cities and towns and
11 legally organized fire districts ~~which~~ THAT procure the services of private
12 fire companies and for the payment of benefits pursuant to this article,
13 article 4 of this chapter or title 38, chapter 5, article 4.

14 B. Not later than April 30, the state fire marshal shall certify to
15 the state treasurer the incorporated cities and towns having organized fire
16 departments, the incorporated cities and towns and legally organized fire
17 districts ~~which~~ THAT procure the services of a private fire company and the
18 areas served by legally organized fire districts, the department of insurance
19 shall certify to the state treasurer the respective amounts of tax on fire
20 premiums paid in the previous year for properties located in this state, and
21 the department of revenue shall certify to the state treasurer the full cash
22 value of the real property and improvements for the previous year in each
23 incorporated city and town and legally organized fire district ~~which~~ THAT
24 procures the services of a private fire company and in each area served by a
25 department or a legally organized fire district. The total amount of the tax
26 proceeds shall then be prorated among the several incorporated cities and
27 towns and legally organized fire districts in proportion to the full cash
28 value of the real property and improvements in each incorporated city and
29 town and legally organized fire district ~~which~~ THAT procures the services of
30 a private fire company and in each area served by a department or a legally
31 organized fire district to the total full cash value of all incorporated
32 cities and towns and legally organized fire districts ~~which~~ THAT procure the
33 services of a private fire company and incorporated cities and towns ~~which~~
34 THAT have a fire department and legally organized fire districts in this
35 state.

36 C. Each incorporated city or town having an organized fire department
37 and each legally organized volunteer fire district shall deduct five per cent
38 from the salaries or compensation of its fire fighters and add a like amount
39 from its general revenues. The employer or the employee may add a
40 contribution greater than that specified in this section to the fire
41 fighters' relief and pension fund. The total of the two amounts shall be
42 paid each month into the fire fighters' relief and pension fund. The
43 treasurer of each board shall keep a record of the salary deductions. If a
44 fire fighter dies under circumstances not entitling his dependents to a
45 benefit from the fire fighters' relief and pension fund, or if he becomes

1 separated from the service voluntarily or involuntarily without having become
2 eligible for retirement benefits thereunder, all deductions previously made
3 from his salary under this article shall become payable, plus interest as
4 determined by the board, to his beneficiary in the event of his death, or
5 otherwise to the fire fighter.

6 D. Payroll deductions made under ~~the provisions of~~ subsection C of
7 this section, plus any additional sums the board of trustees may add, shall
8 be set aside in a permanent reserve fund, the income of which, but no part of
9 the principal, shall be used to pay retirement benefits or relief, but, in
10 order to pay the refunds provided for in subsection C of this section, that
11 portion of the principal ~~which~~ THAT accrues from salary deductions may be
12 drawn upon when necessary.

13 E. For purposes of this section and section 9-952, full cash value of
14 real property and improvements for the previous year with respect to each
15 incorporated city and town which procures the services of a private fire
16 company shall be limited to thirty per cent of the amount certified by the
17 department of revenue and the percentage shall be utilized in computing the
18 entitlement of an incorporated city or town which procures the services of a
19 private fire company.

20 Sec. 2. Section 20-224, Arizona Revised Statutes, is amended to read:
21 20-224. Premium tax

22 A. On or before March 1 of each year each authorized domestic insurer,
23 each other insurer and each formerly authorized insurer referred to in
24 section 20-206, subsection B, shall file with the director a report in a form
25 prescribed by the director showing total direct premium income including
26 policy membership and other fees and all other considerations for insurance
27 from all classes of business whether designated as a premium or otherwise
28 received by it during the preceding calendar year on account of policies and
29 contracts covering property, subjects or risks located, resident or to be
30 performed in this state, after deducting from such total direct premium
31 income applicable cancellations, returned premiums, the amount of reduction
32 in or refund of premiums allowed to industrial life policyholders for payment
33 of premiums direct to an office of the insurer and all policy dividends,
34 refunds, savings coupons and other similar returns paid or credited to
35 policyholders within this state and not reapplied as premiums for new,
36 additional or extended insurance. No deduction shall be made of the cash
37 surrender values of policies or contracts. Considerations received on
38 annuity contracts, as well as the unabsorbed portion of any premium deposit,
39 shall not be included in total direct premium income, and neither shall be
40 subject to tax. The report shall separately indicate the total direct FIRE
41 INSURANCE premium income received from ~~fire insurance premiums on property~~
42 ~~located in an incorporated city or town that procures~~ PROPERTY LOCATED IN THE
43 INCORPORATED CITIES AND TOWNS CERTIFIED BY THE STATE FIRE MARSHALL PURSUANT
44 TO SECTION 9-951, SUBSECTION B, AS PROCURING the services of a private fire
45 company.

1 B. Coincident with the filing of such tax report each insurer shall
2 pay to the director for deposit, pursuant to sections 35-146 and 35-147, a
3 tax of 2.0 per cent of such net premiums, except that the tax on fire
4 insurance premiums on property located in an incorporated city or town which
5 ~~procures~~ CERTIFIED BY THE STATE FIRE MARSHAL PURSUANT TO SECTION 9-951,
6 SUBSECTION B, AS PROCURING the services of a private fire company is .66 per
7 cent, the tax on all other fire insurance premiums is 2.2 per cent and the
8 tax on health care service and disability insurance premiums is as prescribed
9 under sections 20-837, 20-1010 and 20-1060. Any payments of tax pursuant to
10 subsection E of this section shall be deducted from the tax payable pursuant
11 to this subsection. Each insurer shall reflect the cost savings attributable
12 to the lower tax in fire insurance premiums charged on property located in an
13 incorporated city or town ~~that procures~~ CERTIFIED BY THE STATE FIRE MARSHAL
14 PURSUANT TO SECTION 9-951, SUBSECTION B, AS PROCURING the services of a
15 private fire company. NO INSURER SHALL BE LIABLE TO THE STATE OR TO ANY
16 OTHER PERSON, OR SHALL BE SUBJECT TO REGULATORY ACTION, RELATING TO THE
17 CALCULATION OR SUBMITTAL OF FIRE INSURANCE PREMIUM TAXES BASED IN GOOD FAITH
18 UPON THE STATE FIRE MARSHAL'S CERTIFICATION.

19 C. Eighty-five per cent of the tax paid hereunder by an insurer on
20 account of premiums received for fire insurance shall be separately specified
21 in the report and shall be apportioned in the manner provided by sections
22 9-951, 9-952 and 9-972, except that all of the tax so allocated to a fund of
23 a municipality ~~which~~ THAT has no volunteer fire fighters or pension
24 obligations to volunteer fire fighters shall be appropriated to the account
25 of the municipality in the public safety personnel retirement system and all
26 of the tax so allocated to a fund of a municipality ~~which~~ THAT has both
27 full-time paid fire fighters and volunteer fire fighters or pension
28 obligations to full-time paid fire fighters or volunteer fire fighters shall
29 be appropriated to the account of the municipality in the public safety
30 personnel retirement system where it shall be reallocated by actuarial
31 procedures proportionately to the municipality for the account of the
32 full-time paid fire fighters and to the municipality for the account of the
33 volunteer fire fighters. A full accounting of such reallocation shall be
34 forwarded to the municipality and both local boards.

35 D. This section shall not apply to title insurance, and such insurers
36 shall be taxed as provided in section 20-1566.

37 E. Any insurer ~~which~~ THAT paid or is required to pay a tax of two
38 thousand dollars or more on net premiums received during the preceding
39 calendar year, pursuant to subsection B of this section and sections
40 20-224.01, 20-837, 20-1010, 20-1060 and 20-1097.07, shall file on or before
41 the fifteenth day of each month from March through August a report for that
42 month, on a form prescribed by the director, accompanied by a payment in an
43 amount equal to fifteen per cent of the amount paid or required to be paid
44 during the preceding calendar year pursuant to subsection B of this section
45 and sections 20-224.01, 20-837, 20-1010, 20-1060 and 20-1097.07. The

1 payments are due and payable on or before the fifteenth day of each month and
2 shall be made to the director for deposit, pursuant to sections 35-146 and
3 35-147.

4 F. Except for the tax paid on fire insurance premiums pursuant to
5 subsections B and C of this section, an insurer may claim a premium tax
6 credit if the insurer qualifies for a credit pursuant to section 20-224.03 or
7 20-224.04.

8 G. UPON RECEIPT OF A PROPERLY DOCUMENTED CLAIM, A REFUND SHALL BE
9 PROVIDED TO AN INSURER FROM AVAILABLE FUNDS FOR THE EXCESS AMOUNT OF ANY FIRE
10 INSURANCE PREMIUM IMPROPERLY PAID BY THE INSURER. THE INSURER SHALL REFLECT
11 THE REFUND IN THE FIRE INSURANCE PREMIUMS CHARGED ON THE PROPERTY WHICH WAS
12 CHARGED THE EXCESSIVE AMOUNT.

APPROVED BY THE GOVERNOR JULY 13, 2009.

FILED IN THE OFFICE OF THE SECRETARY OF STATE JULY 13, 2009.